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Message Text

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PAGE 01 MADRID 01849 01 OF 06 101404Z

46
ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 MMO-01 CU-02 PER-01 OMB-01 SAJ-01

ACDA-05 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-11

NEA-10 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 EURE-00 OES-03 NASA-01

BIB-01 AF-06 OFA-01 DLOS-04 SAL-01 CEA-01 ERDA-05

NRC-05 FEAE-00 ITC-01 STR-04 AGR-05 SCA-01 ABF-01

INT-05 OC-05 CCO-00 A-01 /169 W
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P 101146Z MAR 76
FM AMEMBASSY MADRID
TO SECSTATE PRIORITY 4892
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY ROME
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY BRUSSELS
AMEMBASSY LISBON
AMEMBASSY COPENHAGEN
AMEMBASSY STOCKHOLM
AMEMBASSY OSLO
USMISSION NATO
USEC BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 6 MADRID 1849

E.O.11652: GDS
TAGS: PINT, PFOR, SP
SUBJECT: SPAIN-1976 POLICY ASSESSMENT
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PAGE 02 MADRID 01849 01 OF 06 101404Z

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INTRODUCTION:
SPAIN IS NO LONGER THE PASSIVE CONSTANT, DEPENDENT ON THE
U.S. FOR MOST IMPORTANT EXTERNAL LINKAGES IN A SITUATION
UNDISTRURBED BY PROSPECTS OF DOMESTIC UPHEAVAL. THE UNIQUENESS
OF FRANCO'S RULE AND MAJOR CHANGES IN THE FABRIC OF SOCIETY
RENDER IMPOSSIBLE A CONTINUATION OF FRANQUISMO. THE KING AND GOS
AIM TO BUILD A PARLIAMENTARY DEMOCRACY ADAPTED TO SPANISH NEEDS,
THEREBY CONSTRUCTING A NEW LEGITIMACY TO REPLACE THE ONE
IRREVOCABLY ENDED WITH FRANCO.
TO ATTAIN THIS LEGITIMACY THEY HAVE EMBARKED, WITH
INITIAL SUCCESS, UPON TWO LINKED COURSES, (A) POLITICAL
DEVELOPMENT LOOKING TOWARD QUITE CHANGED INSTITUTIONS
AND POWERS RELATIONSHIPS OF A DEMOCRATIC NATURE. TO SUCCEED
IN EITHER REQUIRES A GOODLY MEASURE OF SUCCESS IN THE
OTHER AND THE EFFORT IS ASSAILED FROM THE ECTREMENS OF
LEFT AND RIGHT,WHO FEED UPON EACH OTHER AND POSSESS
EVIDENT DESTABILIZING POTENTIAL.
OUR ANALYSIS IS THAT THE KING AND GOS HAVE BEGUN
WELL AND THAT SUCCESS IS POSSIBLE BUT BY NOT MEANS ASSURED.
IN A SITUATION WHERE TRENDS AND PRESSURES CUT BOTH WAYS.
WE SEE NO INTELLECTUAL GROUNDS FOR DEVELOPING AN ANALYTIC
MIND-SET, EITHER OPTIMISTIC OR PESSIMISTIC. THE DYNAMIC
OF EVOLUTION ARGUES FOR EVENTUAL SUCCESS, BUT THE
CONTRADICTION INHERENT IN ASKING THE FRANCO ERA INSTITUTIONS
TO TRANSFORM THEMSELVES INTO SOMETHING QUITE
DEFFERENT SUGGESTS TROUBLE. THE MOOD OF THE GENERAL
POPULACE FAVORS THE ENDEAVOR, BUT THE LABOR SECTOR
IS TURBULENT (I.E. THE DISTRURBING VIOLENCE IN VITORIA AND BILBAO).
THE COMMUNISTS HAVE STRENGH IN LABOR AND THE UNIVERSITIES.
BUT FORTUNATELY NOT AMONG THE POPULACE WRIT LARGE.
THE DEMOCRATIC OPPOSITION GROUPINGS TAKE A POLITICALLY
TROUBLESOME STANCE, CALLING FOR "RUPTURE", BUT APPEAR
PREPARED TO TAKE PART IN THE ELECTROL PROCESS. THE MILITARY
HAS AGREED TO SUPPORT THE KING AND THE EVOLUTION, BUT THE FLIRTATION
BETWEEN THE FAR RIGHT AND SOME OF THE RANKING MILITARY
LEADERSHIP IS DISTURBING, AND THE MILITARY GENERATION GAP
OPENS PROSPECTS OF A CHAIN REACTION IN WHICH THE FAR LEFT
WOULD PRESS ADVANTAGE, SHOULD THE RIGHT WING MILITARY PUT
THE BRAKES ON.
WITH THE RETENTION OF THE FRANCO-ERA STATUS QUO
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A NON OPTION, WESTERN POLICY MAKERS FACE A DYNAMIC IN
WHICH WHAT SPAIN DOES NOW DOMESTICALLY AND EXTERNALLY
BECOMES HIGHLY RELEVENT TO THE ATLANTIC ALLIANCE'S
POLITICAL, ECONOMIC, AND STRATEGIC POSTURE VIS-A -VIS THE
SOVIET UNION. PARTICULARLY IN THE SOUTHER TIER. A
SUCCESSFUL EVOLUTION, HOWEVER BUMPY AND UNEVEN, TOWARDS
DEMOCRACY AND INTO EUROPE AND THE ALLIANCE WILL ADD TO
THE ALLIANCE'S STRENGTH. FAILURE WILL SUBTRACT FROM IT,

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LEAD TO POLITICALLY EXTREMIST SOLUTIONS WITHIN SPAIN
ACCOMPANIED BY ALIENATION BOTH FROM EUROPE AND THE U.S.
AND MAKE SPAIN INTO AN APPLE OF DISCORD WITHIN THE
ALLIANCE. LESS PRECISELY CALCULABLE, BUT IMPORTANT TO
AMERICA'S ESSENTIAL INTERESTS, ARE THE DEMONSTRATION
EFFECTS OF THE SPANISH EXPERIMENT VIS-A-VIS THE
PROTRACTED IDEOLOGICAL ASSAULTUPON DEMOCRATIC
INSTITUTIONS AROUND WORLD
UPON THESE ASSUMPTIONS RESTS THE EMBASSY'S CALCULUS
OF INTEREST WHICH FOLLOWS, GIVING A DOMINANT PRIORITY TO
DOING WHAT WE CAN TO NURTURE A BENEFICIAL, DEMOCRATIC
EUROPEANIZATION OF SPAIN AND ENTRY INTO THE ATLANTIC
ALLIANCE, PARTICULARLY NATO, EVEN AT POTENTIAL COST TO
OTHER, LESS CENTRAL, MULTILATERAL AND BILATERAL INTERESTS.
1. EVALUATION AND ENUMERATION OF PRINCIPAL U.S.
INTERESTS (IN ORDER OF PRIORITY)
INTEREST #1
THE DOMINANT U.S. INTEREST LIES IN SPAIN'S BECOMING
ORGANICALLY A PART OF THE WEST, THEREBY ENHANCING THE
WEST'S POSTURE VIS-A-VIS THE SOVIETS AND ASSURING
CONTINUED ACCESS TO THE MEDITERRANEAN, INSOFAR AS SPAIN IS
CONCERNED, ON OUR TERMS.
MEMBERSHIP IN NATO AND THE EC, WITH THE LATTER
IN CURRENT SPANISH THINKING BEING PRECEDENT TO NATO AT LEAST
SO FAR AS INITIAL STEPS ARE CONCERNED, IS THE ONLY
CERTAIN WAY OF FUELING THIS INTEREST.
SPANISH POLITICAL EVOLUTION TO DEMOCRACY
UNDER CONDITIONS OF REALATIVE EVOLUTION IS DEMOCRACY UNDER
CONDITIONS OF RELATIVE STABILITY IS REQUIRED TO OPEN
THE EUROPEAN DOOR WHILE AVOIDING POLARIZATION,
ALIENATION FRO THE WEST, AND LONG TERM GROWTH OPPORTUNITIES
FOR SPANISH COMMUNISM.
THE NEW U.S. SPANISH TREATY IS AN ESSENTIAL
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VERY HELPFUL STEP IN THE PROCESS, BUT NOT AN ALTERNATIVE
TO IT. THERE IS A FRAGILITY TO OUR MILITARY RELATION
SHIP THAT WOULD BE SORELY TESTED, IN SPAIN AND THE U.S.
SHOULD SPAIN REJECT THE EUROPEAN OPTION. CONTINUED
DEPENDENCE ON THE U.S. ALONE WOULD NOT LONG BE VIABLE IN
THE POST FRANCO ERA, LEADING EVENTUALLY TO A NON-ALIGNED
POSTURE.
NECESSARY, TOO, IS THE RESURGENCE OF THE
SPANISH ECONOMY SO THAT THE MIDDLE CLASS SECTOR, THE
BASIS FOR PEACFUL EVOLUTION TO DEMOCRATIC FORMS, IS
EXPANDED AND BECOMES FURTHER COMMITTED TO NON-ADVENTURE
IN SPAIN, AND OTHER SECTORS HAVE LESS BASIS FOR ALIENATION.
OTHER IMPORTANT BUT LOWER PRIORITY, INTEREST
FOLLOW, WITH THE CAVAT THAT SINGLE MINDED PURSUIT OF
SECONDARY U.S. INTERESTS PARTICULARLY IN THE TRADE FIELD,

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COULD SERIOUSLY PREJUDICE OUR PRIMARY INTEREST.
INTEREST #2
A STRONG AND OPEN SPANISH ECONOMY WHICH OFFERS A
GROWING MARKET FOR U.S. EXPORTS AND A HOSPITABLE
ENVIRONMENT FOR U.S. INVESTMENT.
INTEREST #3
A SPAIN WHICH PLAYS A MORE ACTIVE AND CONSTRUCTIVE
ROLE, BEFITTING A EUROPEAN POWER, IN MAJOR MUTILATERAL
FORA, THE UN. OECD, MTN, CIEC,LOS ETC.
INTEREST #4

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PAGE 01 MADRID 01849 02 OF 06 101457Z

46
ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 MMO-01 CU-02 PER-01 OMB-01 SAJ-01

ACDA-05 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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AMEMBASSY STOCKHOLM
AMEMBASSY OSLO
USMISSION NATO
USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 2 OF 6 MADRID 1849

CONTINUANCE OF EQUITABLE TREATMENT IN SPAIN FOR THE LARGE
NUMBER OF AMERICAN CITIZENS WHO LIVE, VISIT AND WORK HERE.

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INTEREST #5.

CONTINUANCE OF A COOPERATIVE RELATIONSHIP WITH SPAIN IN RESPECT
OF NASA, RADIO LIBERTY, AND OTHER COMMUNICATIONS ACTIVITIES,
PARTICULARLY IN VIEW OF SPAIN'S FAVORABLE METEOROLOGICAL
CONDITIONS.

A WORD ABOUT THE INTERPLAY OF SPANISH, SOVIET, WESTERN EUROPEAN
AND NORTH AFRICAN INTERESTS IS IN ORDER.

SPANISH INTERESTS.

SPANISH INTERESTS AS PERCEIVED BY THE PRESENT GOVT (BUT NOT
NECESSARILY BY SUCCESSORS) CORRESPOND REMARKABLY WITH U.S.
INTERESTS, PARTICULARLY IN RESPECT OF THE DOMINANT INTEREST
IN THE CONSTRUCTION OF A STABLE, DEMOCRATIC LEGITIMACY, THE
ENTRY INTO EUROPE AND ALLIANCE STRUCTURES AND THE MAINTENANCE
OF A CLOSE, THOUGH NO LONGER TUTELARY, RELATIONSHIP WITH
THE U.S.S.

THE ARDFS OF GREATEST POTENTIAL TENSION BETWEEN OURSELVES
AND THE PRESENT GOS ARE LIKELY TO BE (A) SHORT-TERM MANAGEMENT
OF A SOMEWHAT OVERLY DEPENDENT RELATIONSHIP, (B) THE LONG-TERM
IMPACT ON THE U.S. OF THE REDUCTION OF SPAIN'S INTIMACY AS
IT MOVES CLOSER TO EUROPE, (C) MANAGEMENT OF TRADE AND
BROADER ECONOMIC ISSUES.

BUT ADVOCATES OF A COHERENT EVOLUTIONARY PROGRAM (FRAGA, AREILZA,
ETAL) FACE OPPOSITION FROM THE FRANCO ERA INSTITUTIONS (AND
EVEN FROM WITHIN THE CABINET), NOT ONLY TO DEMOCRATIZATION BUT
ALSO TO ENDING SPAIN'S ISOLATION, A CONDITION THAT IS CONGENIAL
TO FALANGISTS.

THE SOVIET UNION.

WE ASSUME THE SOVIET UNION'S FUNDAMENTAL INTEREST TO LIE
IN HAVING SPAIN ISOLATED FROM THE WEST AND, PARTICULARLY,
KEEPING HER OUT OF NATO. THEY WISH A FAILURE OF THE PRESENT

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SPANISH EXPERIMENT AND A SHIFT TOWARDS A SITUATION OF AT LEAST
DE FACTO NON-ALIGNMENT COUPLED WITH A GROWTH OF DOMESTIC
COMMUNISM, LOOKING TOWARDS THE AT LEAST THEORETICAL GOAL OF AN
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PAGE 03 MADRID 01849 02 OF 06 101457Z

EVENTUAL COMMUNIST SPAIN. THE SOVIETS WILL CONTINUE TO SPEND MONEY
ON THE PCE AND PARALLEL COMMUNIST ORGANIZATIONS SUCH AS THE
WORKERS COMMISSIONS AND, PERHAPS THROUGH CUT OUTS, EVEN ON
VIOLENCE-PRONE GROUPS. THEY WILL BE COVERTLY DISRUPTIVE AND
OVERTLY REAONABLE.

THE WESTERN EUROPEANS.

WESTERN EUROPE IN GENERAL SUPPORTS THE SHARED PRIMARY
INTERESTS OF THE UNITED STATES AND THIS SPANISH GOVT, BUT
GREAT BRITAIN, THE NORDIC COUNTRIES AND BENELUX TEND TO EXPECT
TOO MUCH, TOO SOON FROM THE SPANISH INTERNAL POLITICAL EVOLUTION.
WE DIFFER WITH THEM IN PARTICULAR OVER THEIR UNILATERAL EMPHASIS
ON THE SOCIALISTS AND THEIR BELIEF THAT LEGALIZATION OF THE
COMMUNIST PARTY, OF ALL THINGS, SHOULD BECOME A LITMUS TEST OF
SPANISH DEMOCRACY. THE WEST GERMANS AND THE FRENCH - BOTH
VERY ACTIVE HERE - ARE CLOSEST TO OUR VIEWS, BUT FRANCE COULD
EVENTUALLY POSTULATE A FRENCH SOLUTION TO SPAIN'S RELATIONS WITH
NATO (THOUGH THE FRENCH NOW SEEM CONTENT TO SEE U.S. BASES
REMAIN IN OTHER WESTERN COUNTRRIES).

THE STRAITS OF GIBRALTAR TRIANGLE (MOROCCO, GREAT BRITAIN,
SPAIN).

THE CLAIMS OF MOROCCO TO THE SPANISH AFRICAN PRESIDIOS OF
CEUTA (ACROSS FROM GIBRALTAR) AND MELILLA COUPLED WITH THE
SPANISH CLAIM TO GIBRALTAR, HAVE A CLEAR POTENTIAL FOR TROUBLE
AFFECTING OUR STRATEGIC INTERESTS IN THE STRAITS, THOUGH FOR-
TUNATELY NEITHER MOROCCO NOR SPAIN NOW APPEAR TO BE PLANNING
TO PRESS THESE CLAIMS IN THE NEXT YEAR OR TWO. THE SPANISH,
WITH THE HISTORY OF MILITARY GRUMBLING OVER THE WITHDRAWAL FROM
THE SAHARA IN VIEW, WOULD FIND IT NECESSARY, ON DOMESTIC
POLITICAL GROUNDS ALONE, TO RESIST FORCEFULLY ANY MOROCCAN
EFFORT TO TAKE OVER THE PRESIDIOS.

II. U.S. POLICY OBJECTIVES OVER THE NEAR TERM (THE NEXT
TWO YEARS)

THE LINE BETWEEN INTERESTS AND OBJECTIVES IS HAZY.
OBJECTIVES ARE DEFINED HERE AS THINGS WE WANT TO HAPPEN AND
ON WHICH WE ARE PRPARED TO HELP, WHERE APPROPRIATE, IN THIS
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TIME FRAME. TWO YEARS COVERS THE SPACE THE GOS HAS GIVEN ITSELF FOR PUTTING INTO EFFECT REFORMS RESULTING IN A MORE DEMOCRATIC SPAIN, CULMINATING IN ELECTIONS FOR A NEW NATIONAL LEGISLATURE IN, SAY, MID-1977. THE CONTENT OF THESE REFORMS, MORE THAN THE PACE, IS AT ISSUE. EVEN THE SOMETIMES STRIDENT DEMOCRATIC OPPOSITION WANTS TIME TO ORGANIZA BEFORE AN ELECTORAL CAMPAIGN.

OUR OBJECTIVES ARE:

A. DEMOCRATIZATION IN A MANNER THAT BALANCES POPULAR PARTICIPATION WITH CONTINUED STABILITY AND KEEPS COMMUNIST INFLUENCE TO A MINIMUM.

-- THE DEVELOPMENT OF A STRONG, WELL-ORGANIZED SPANISH POLITICAL CENTER.

-- THE DEVELOPMENT OF RESPONSIBILITY AND FLEXIBILITY ON THE RIGHT, AND THE ATTENUATION OF THE TIES THE FAR RIGHT (WHO WISH TO BLOCK EVOLUTION AND THE MOVE TOWARD EUROPE) HAVE WITH CERTAIN SENIOR MILITARY OFFICERS.

-- THE EMERGENCE OF A RESPONSIBLE, COHERENT DEMOCRATIC LEFT.

-- THE DEFUSING OF THE SPANISH COMMUNIST PARTY AS A SIGNIFICANT THREAT.

B. RESUMPTION OF GROWTH, WITHOUT SIGNIFICANT INFLATION, BY THE SPANISH ECONOMY TO ENLARGE AND STRENGTHEN THE MIDDLE SECTORS, THE GROUNDWORK FOR SPAIN'S PLAYING A POSITIVE ROLE IN THE EC AT AN EARLY DATE.

C. RATIFICATION AND IMPLEMENTATION OF THE NEW TREATY AS THE FRAMEWORK FOR A CONSTRUCTIVE U.S. RELATIONSHIP WITH THE SPANISH MILITARY AND IN PREPARATION FOR POSSIBLE SPANISH ENTRANCE INTO NATO.

D. THE CONCOMITANT BUILDING UP OF A SERIES OF LINKAGES BETWEEN SPAIN (AND THE SPANISH/U.S. MILITARY ARRANGEMENTS) AND NATO (FULL NATO MEMBERSHIP IN THIS PERIOD WOULD BE DESIRABLE, BUT UNLIKELY).
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E. MEASURABLE PROGRESS TOWARD SPAIN'S ENTRY INTO THE EC.

F. REASONABLE TRANQUILITY IN THE STRAITS OF GIBRALTAR (I.E., NO REAL MOROCCAN PRESSURES ON THE SPANISH PRESIDIOS AND

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DEVELOPMENT OF SPANISH/BRITISH CONTACTS IN MUTUALLY
CONVENIENT FASHION).

III. HOW HAVE THESE OBJECTIVES FARED OVER THE PAST YEAR?

MOST OF THESE OBJECTIVES, AND THE CONDITIONS THAT SHAPE THEM,
ARE QUITE NEW. FRANCO'S DEATH, RATHER THAN OUR POLICY,
OPENED UP REAL PROSPECTS THAT SPAIN MIGHT BECOME DEMOCRATIC AND
THEREFORE A MEMBER OF NATO AND THE EC. BUT OUR POSTURE OF SUPPORT
FOR THE EFFORTS OF THE KING AND GOS HAS HELPED. THE TIMELY
CONCLUSION OF THE TREATY OF FRIENDSHIP AND COOPERATION MET AN
IMMEDIATE POLITICAL NEED OF THE GOS IN SUPPORT OF ITS DOMESTIC
AND INTERNATIONAL OBJECTIVES.

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PAGE 01 MADRID 01849 03 OF 06 101503Z

46
ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 MMO-01 CU-02 PER-01 OMB-01 SAJ-01

ACDA-05 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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AMEMBASSY BRUSSELS
AMEMBASSY LISBON
AMEMBASSY COPENHAGEN
AMEMBASSY STOCKHOLM
AAMEMBASSY OSLO
US MISSION NATO
USEC BRUSSELS

C O N F I D E N T I A L SECTION 3 OF 6 MADRID 1849

THE SPANISH HAVE EMBARKED UPON THE
RIGHT ROAD, ONE THAT IF FOLLOWED WILL TAKE SPAIN TO THE
POINT WHERE IT BECOKES A RESPECTED MEMBER OF THE
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PAGE 02 MADRID 01849 03 OF 06 101503Z

ATLANTIC COMMUNITY. BUT THE VERY REAL MOMENTUM OF THE
FIRST 100 DAYS WILL BE CHALLENGED IN THE NEXT TWO OR THREE
MONTHS BY THE INCREASE IN VIOLENCE, THE COST TO ECONOMIC
WEEL BEING OF LABOR STRIFE, AND THE INERTIA OF FRANCO ERA
INSTITUTIONS.
A DETERIORATION IN THE POLITICAL PROCESS COULD
PRECIPITATE A PANICKY TAKE OVER BY THE MOST CONSERVATIVE
MILITARY LEADERS, WHO APPEAR LIKELY TO CONTROL THE MILITARY
OVER THE NEXT TWO YEARS. A SPANISH GENERALS COUP WOULD STOP
SPAIN'S ENTRY INTO EUROPE TURN CONGRESS INTO AN OPPONENT
OF OUT RELATIONSHIP WITH SPAIN, AND WOULD BE HARD PUT TO
ATTAIN LEGITIMACY. IN THE RESULTANT INSTABILITY,
THE END OF THIS WORST CASE SCENARIO MIGHT BELONG TO BE
THEN RADICALIZED YOUNGER OFFICERS, OVER WHOM THE FAR LEFT
MIGHT WELL COME TO POSSESS INFLUENCE.

IV ISSUES
WE SKIP MAJOR OBJECTIVES ABOUT WHICH THERE IS NO ARGUMENT
(E.G. WE SUPPORT SPAIN'S ENTRY INTO NATO AND THE
EC) AND QUESTIONS, EVEN THOUGH IMPORTANT , WHICH DO NOT GO
TO THE HEART OF THE LINKED ISSUES OF SPAIN'S POLITICAL
DEVELOPMENT AND ENTRY INTO EUROPE.
WE HAVE INFLUENCE, BUT ARE UNDER NO ILLUSIONS AS TO
ITS EXTENT, AND ASUME IT MAY BE LESS IN THE FUTURE THAN
NOW AND IN THE PAST. WE THUS ARGUE FOR DISCRETION IN ITS
USE AND FOR NOT EXPENDING OUR INFLUENCE ON MARGINAL ISSUES.
ISSUE A-GENERAL POSTURE
WE SUPPORT THE CROWN AND GOS IN ITS
EVOLUTIONARY APPROACH TO POLITICAL DEVELOPMENT, AN APPROACH
BEST DESCRIBED AS PERSUADING THE FRANCO ERA INSTITUTIONS TO
AGREE TO DEMOCRATIZATION. THIS IS THE MOST SENSIBLE
POSTURE SO LONG AS THE SPANISH EVOLUTIONARY PROCESS REMAINS
ON TRACK.
THE REAL ISSUE, WHICH COULD BECOME LIVE IN THE
NEXT SEVERAL MONTHS IF THINGS GO BADLY, IS WHAT SHOULD BE THE U.S.

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POSTURE IN THE EVENT THAT THE CURRENT GOS APPROACH APPEARS
TO BE FAILING.
OPTION ONE
ACQUIESCE IN THE FORMATION OF A HARD-NOSED MILITARY
LED REGIME, AND MAKE ACCOMMODAION WITH IT.
PRO-GUARANTEES SHORT RUN PUBLIC ORDER AND
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PAGE 03 MADRID 01849 03 OF 06 101503Z

SUPPRESSION OF THE COMMUNISTS.
CON-INHERENTLY DESTABILIZING BECAUSE IT LACKS
LEGITIMABY INVITING FURTHER COUPS, EVENTUALLY OF A
RADICAL ANTI-U.S. NATURE.
AUTHORITARIAN GOVT INEVITABLY ASSOCIATED
WITH U.S. SUPPORT, CREATING SPANISH POPULAR EMNITY AGAINST
US, A
H ENDING THE PROSPECTS OF SPAIN'S ENTRY INTO
EUROPE WITH THE AFFAIR BECOMING DIVISIVE IN THE ATLANTIC
ALLIANCE.
CONGRESS WOULD LIKELY END OUR MILITARY
COOPERATION, TREATY OR NO, PROBABLY PROVOKING THE SPANISH
TO OUST US FROM THE BASES.
OPTION TWO
IF THE CURRENT APPROACH APPEARS TO BE FAILING, ACT
BEFORE THE ONSET OF CRISIS TO INFLUENCE KING, GOS AND
MILITARY TOWARD A DECISIVE EVOLUTION TOWARDS DEMOCRATIC
INSTITUTIONS. (MID 1977 ELECTIONS WOULD STILL GOVERN
THE TIME TABLE).
PRO--DEMOCRATIZATION IS THE ONLY WAY FOR
SPAIN TO ENTER NATO, MAINTAIN CONGRESSIONAL SUPORT FOR
OUR INTEREST HERE, AND ACHIEVE LEGITIMACY AND LONG TERM
STABILITYM
DECISIVE MOVES TOWARDS DEMOCRATIZATION WOULD
BE AN ANTIDOTE TO THE COMMUNISTS.
CON- A DECISIVE MOVE COULD ALIENATE CURRENT
MILITARY LEADERSHIP, AND BRING TEMPORTARY POLARIZATION.
MIGHT RESULT IN EARLY LEGALIZATION OF THE COMMUNIST PARTY.
RECOMMENDATION

THAT WE FOLLOW OPTION TWO (THROW OUR WEIGHT BEHIND
A DECISIVE MOVE TO DEMOCRATIC INSTITUTIONS) SHOULD THE
CURRENT APPROACH APPEAR TO BE FAILING.
A SOMEWHAT DISSENTING VIEW IN THIS MISSION
HOLDS THAT WE OUGHT NOW TO BEGIN TO ADJUST OUR PRIVATE
POSTURE (AND, AS APPROPRIATE OUR RHETORIC) TOWARDS THIS
END.

ISSUE A, SUB ISSUE 1.
IN WHAT MANNER SHOULD THE U.S. ATTEMPT TO
INFLUENCE THE SPANISH MILITARY VIS-A-VIS THE LINKED NATO
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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

ISSUES OF POLITICAL DEVELOPMENT AND ENTRANCE INTO NATO?
NO MATER WHAT OPTION WE CHOOSE, OUR INFLUENCE WITH
THE SPANISH MILITARY REASTS IN LARGE PART ON THEIR
PERCEPTION OF OUR PERFORMANCE ON ISSUES VITAL TO THEM.
A CRITICAL AREA WILL BE THE PROVISION OF MILITARY EQUIPEMENT
IN FIRST CLASS CONDITION (THUS REMOVING GROUNDS FOR
COMPLAINTS REGARDING QUALITY) CONSONANT WITH SPANISH
PRIORITIES. A SECOND CRITICAL AREA WILL BE THE DEGREE TO
WHICH THE SPANISH PERCEIVE US ACTING AS AN ACTUAL RATHER
THAN COSMETIC LINK TO PLANNING FOR JOINT DEFENSE OF
WESTERN EUROPE, INCLUDING THE CONSTRUCTION OF INTERIM
LINKAGES WITH NATO AND PERHAPS HIGHER LEVELS OF INTER
CHANGE WITH THE U,S.

OPTION ONE.

CONTINUE RELATIVELY PASSIVE STANCE, FOCUSED ON
INTELLIGENCE ON MILITARY ATTITUDES, COUPLED WITH
OCCASIONAL STATEMENTS OF OUR GENERAL POSRURE.
PRO-A MORE FORWXXLGQLNLNFU#MIGHT SPARK A
REACTION AMONG THE SENSITIVE SENIOR SPANISH MILITARY.

CON- DOES NOT TAKE ADVANTAGE OF THE POTENTIAL
EXTENT OF OUR INFLUENCE WITH THE MILITARY.

OPTION TWO.

DEVELOP AN ACTIVE BUT DISCREET EFFORT USING
APPROPRIATE FIGURES WITH ENTREE IN VARIOUS
LEVELS OF THE SPANISH MILITARY (INCLUDING HIGH RANKING
VISTORS), AND HIGH LEVEL SPANISH MILITARY VISITS TO THE
U.S. TO EXPRESS TO THE MILITARY THE ADVANTAGES OF LINKAGES
WITH NATO AND THE NEED FOR SPANISH DEMOCRATIZATION AS THE
BEST WAY OF ATTAINING LEGITIMACY FOR THE MONARCHY, SECURING
ENTRY INTO EUROPE, AND LIMITING COMMUNIST INFLUENCE.

PRO--IF DONE PRPERLY MAXIMIZES OUR INFLUENCE
AND, IN CERTAIN CIRCUMSTANCES, COULD EVEN TIP THE SCALES
AGAINST REGRESSIVE ACTION BY THE FRANCO ERA MILITARY
LEADERS.

CON--IF DONE BADLY, RUNS THE RISK OF
STIMULATING NATIONALIST RESENTMENT AMONG THE MILITARY

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RECOMMENDATION

THAT WE FOLLOW OPTION TWO (A DISCREET EFFORT AIMED AT
INFLUENCING MILITARY ATTITUDES).
ISSUE A, SUB ISSUE 2.

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PAGE 01 MADRID 01849 04 OF 06 101523Z

46
ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 MMO-01 CU-02 PER-01 OMB-01 SAJ-01

ACDA-05 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-11

NEA-10 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 EURE-00 OES-03 NASA-01

BIB-01 AF-06 OFA-01 DLOS-04 SAL-01 CEA-01 ERDA-05

NRC-05 FEAE-00 ITC-01 STR-04 AGR-05 SCA-01 ABF-01

INT-05 OC-05 CCO-00 A-01 /169 W
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P 101146Z MAR 76
FM AMEMBASSY MADRID
TO SECSTATE WASHDC PRIORITY 4895
INFO AMEMBASSY LONDON
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AMEMBASSY BONN
AMEMBASSY ROME
AMEMBASSY DUBLIN
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AMEMBASSY BRUSSELS
AMEMBASSY LISBON
AMEMBASSY COPENHAGEN
AMEMBASSY STOCKHOLM
AMEMBASSY OSLO
USMISSION NATO

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C O N F I D E N T I A L SECTION 4 OF 6 MADRID 1849

WHAT SHOULD OUR ATTITUDE BE TOWARDS POLITICAL GROUPS?

TO THE EXTENT THAT DEMOCRATIC GROUPS GET OUTSIDE SUPPORT,
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PAGE 02 MADRID 01849 04 OF 06 101523Z

THEY SHOULD GET IT FROM THEIR EUROPEAN CHRISTIAN DEMOCRAT, SOCIALIST AND LIBERAL COUNTERPARS WHO ARE ABLE TO DO THIS RATHER OVERTLY. THE SENSITIVITY OF SPANIARDS, THE DISTINCT POSSIBILITY OF WRONG CHOICES, AND THE ALMOST CERTAINTY OF PUBLIC EXPOSURE ARGUE AGAINST CLANDESTINE U.S. SUPPORT. THUS THE QUESTION FOR THE U.S. IS ONE OF POSTURE.

OPTION ONE.

SUPPORT THE COALESCENCE OF LARGE CENTRIST GROUPINGS, I.E., THE FRAGA FORCE (CENTER-RIGHT) AND THE CHRISTIAN DEMOCRATS (CENTER TO CENTER-LEFT) AND DEVOTE ONLY MODEST ATTENTION TO THE FRAGMENTED AND SOMETIMES IRRATIONAL SOCIALISTS.

PRO -- THESE GROUPS WOULD BE BASED ON THE MIDDLE SECTOR, THE BULWARK OF ANY SUCCESSFUL EVOLUTION.

CON -- LARGELY IGNORING THE DEMOCRATIC LEFT CONFERS LONG RUN ADVANTAGE TO THE COMMUNISTS IN THE KEY LABOR SECTOR.

-- SINGLING OUT THE CENTER FOR OUR ATTENTIONS MIGHT NOT BE POLITICALLY HELPFUL TO IT.

OPION TWO.

GIVE PRIORITY TO THE CENTER BUT ALSO SUPPORT THE DEVELOPMENT OF A RESPONSIBLE, DEMOCRATICALLY-ORIENTED SOCIALIST SECTOR, THAT WILL COMPETE WITH THE COMMUNISTS (AND NOT BE ENTICED INTO A COMMON FRONT).

PRO -- THE WORKERS SECTOR - IMPORTANT IN INDUSTRIALIZED SPAIN - WILL EVENTUALLY BECOME POLITICALLY ENTHRALLED TO THE COMMUNISTS UNLESS A VIABLE, COMPETING DEMOCRATIC LEFT DEVELOPS.

-- THE EUROPEANS WILL FIND THIS POSTURE MORE CONGENIAL.

CON -- OUR EFFORTS MAY BE WASTED; WE ARE NOT SURE WHAT THE FRAGMENTED SOCIALISTS MAY COME TO STAND FOR, NOR ARE WE SURE THEY CAN RESIST COMMUNIST IMPORTUNINGS TOWARDS A UNITED FRONT.

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PAGE 03 MADRID 01849 04 OF 06 101523Z

RECOMMENDATION

THAT WE FOLLOW OPTION TWO (SUPPORT NOT ONLY CENTER BUT DEVELOPMENT OF A RESPONSIBLE DEMOCRATIC LEFT). ISSUE A. SUB-ISSUE 3.

WHAT SHOULD OUR POSTURE BE TOWARD THE COMMUNIST PARTY?

THIS ISSUE ENCOMPASSES THREE INTER-RELATED ELEMENTS (A) PCE PARTICIPATION IN ANY FUTURE SPANISH GOVT (FORTUNATELY NOT MUCH OF A POSSIBILITY IN THE NEXT TWO YEARS), (B) LEGALIZATION OF THE PCE, AND (C) U.S. CONTACTS WITH THE PCE.

OPTION ONE.

MAINTAIN OUR CURRECNT POSTURE, I.E., OPPOSE COMMUNIST PART-ICPIPATION, SUPPORT THE GOS POLICY OF REFUSING TO LEGALIZE THE COMMUNISTS, AND REFRAIN FROM ANY DIRECT U.S. CONTACT WITH THE COMMUNISTS. UNDER THIS FORMULATION, THE NECESSARY EFFORT TO GAIN BETTER INTELLIGENCE ON THE PCE THROUGH THE DEVELOPMENT OF CLANDESTINE SOURCES WOULD OF COURSE CONTINUE.

PRO -- IS CONSISTENT WITH OUR CONCERN ABOUT COMMUNIST PARTICIPATION IN A DEMOCRATIC PROCESS, SUPPORTS THE GOS POLICY, AND RENDERS OUR SUPPORT FOR CEMOCRATIZATION MORE CREDIBLE AMONG CONSERVATIVE SPANIARDS.

CON -- IMMEDIATE LEGALIZATION IS NOT IN THE CARDS, BUT THIS POSTURE HELPS THE COMMUNISTS RETAIN THE POLITICAL ADVANTAGES OF ENFORCED CLANDESTINITY AND ALLOWS THEM TO ATTACK US AS OPPONENTS QFO DEMOCRACY. ADDITIONALLY, THE BAN ON CONTACTS DENIES US PERHAPS USEFUL INTELLIGENCE ON THE PCE.

OPTION TWO.

CONTINUE TO OPPOSE PCE PARTICIPATION IN ANY GOS (AS WELL AS UNITED FRONTS), MAINTAIN OUR NO CONTACT POSTURE, BUT SHIFT TO A POSTURE OF TAKING NO STAND ONE WAY OR THE OTHER ON THE ISSUE OF LEGALIZATION.

PRO -- THERE ARE STRONG ARGUMENTS FOR LGALIZATION, IN RESPECT
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PAGE 04 MADRID 01849 04 OF 06 101523Z

OF DENYING THE COMMUNISTS THE GLAMOUR THAT HAS ACCRUED TO THEM

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AS DEMOCRATIC "MARTYRS" AND IN EXPOSING THEIR POPULAR WEAKNESS. ADITIONALLY, BY KEEPING QUIET ON THE ISSUE, WE DO NOT OFFEND THE GOS WHICH REFUSES TO LEGALIZE THE PCE.

CON -- THIS DOES NOT FULLY SUPPORT THE CURRECT GOS ATTITUDE, NOR DOES IT ALLOW FOR THE POTENTIAL DAMAGE THE COMMUNISTS MIGHT CAUSE BY OPEN PARTICIPATION EARLY ON IN A DEMOCRATIC PROCESS.

OPTION THREE.

CONTINUE TO OPPOSE COMMUNIST PARTICIPATION IN A GOS, BUT KEEP SILENT ON THE LEGALIZATION QUESTION AND PERMIT, AS IN OTHER EUROPEAN POSTS, LOW-LEVEL DIRECT U.S. CONTACTS, PERHAPS ABROAD, WITH THE PCE.

PRO -- PERMITTING LOW-LEVEL CONTACTS WOULD GRANT US FURTHER INSIGHT INTO THE PCE.

CON -- MAY IRRITATE THE GOS AND/OR BE USED BY THE PCE AS EVIDENCE OF THEIR RESPECTABILITY.

RECOMMENDATION

THAT WE FOLLOW OPTION ONE (MAINTAIN THE PRESENT POSTURE)

-- A DISSENTING VIEW BELIEVES WE SHOULD FOLLOW OPTION TWO (OPPOSE PARTICIPATION AND MAINTAIN THE NO CONTACTS POLICY, BUT KEEP QUIET ON LEGALIZATION) IN THE BELIEF THAT TO OPPOSE LEGALIZATION ACTUALLY HELPS THE PCE. ANOTHER DISSENTING VIEW SUGGESTS THAT WE SHOULD ALSO RECONSIDER OUR NO CONTACTS POLICY AS A MATTER OF CONSISTENCY.

ISSUE B.

WHAT POSTURE SHOULD WE TAKE VIS-A-VIS THE EUROPEANS IN RESPECT OF ENTRANCE INTO NATO AND POLITICAL DEVELOPMENT HERE?

OPTION ONE.

PUSH HARD FOR EARLY ENTRANCE INTO NATO, ARGUING THAT TO WAIT

FOR SPANISH DEMOCRATIZATION WOULD BE TO LOSE THE HOUR.

PRO -- MIGHT GET THE SPANISH IN EARLIER, PERHAPS BEFORE DETERIORATION IN THE POLITICAL PROCESS, OR BEFORE THE SPANIARDS GET COLD FEET.

CON -- WOULD PROVOKE REACTION, AMONG THE EUROPEANS, AND, PERHAPS THE SPANISH, THAT MIGHT ENDANGER SPANISH ENTRY.

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OPTION TWO.

USE A LESS AGGRESSIVE, BUILDING-BLOCK APPROACH, BASED ON THE CONCEPTUAL FRAMEWORK OF THE U.S./SPANISH TREATY TO DEVELOP GROWING LINKAGE BETWEEN SPAIN AND NOAT, PREPARING THE GROUND FOR SPAIN'S ENTRANCE. CONCOMITANTLY RECOGNIZE THAT A GOOD MEASURE OF DEMOCRATICATION IS REQUIRED BEFORE THE EUROPEANS ACCEPT SPAIN, BUT ARGUE AGAINST UNREALISTIC PRESCRIPTIONS BY THE EUROPEANS.

PRO -- THE MOST PRACTICAL APPROACH, GROUNDED IN THE REALITY OF EUROPEAN ATTITUDES AND THE PACE OF SPANISH POLITICAL DEVELOPMENT.

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PAGE 01 MADRID 01849 05 OF 06 101532Z

46
ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 MMO-01 CU-02 PER-01 OMB-01 SAJ-01

ACDA-05 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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AMEMBASSY THE HAGUE
AMEMBASSY BRUSSELS
AMEMBASSY LISBON
AMEMBASSY COPENHAGEN
AMEMBASSY STOCKHOLM
AMEMBASSY OSLO
OEN/US MISSION NATO
USEC BRUSSELS

C O N F I D E N T I A L SECTION 5 OF 6 MADRID 1849

CON MAY DELAY THE DAY WHEN SPAIN MIGHT ENTER
NATO.

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RECOMMENDATION.

THAT WE FOLLOW OPTION TWO (BUILDING BLOCK APPROACH TO
NATO ENTRY).

ISSUE C.

WHAT POSTURE SHOULD WE TAKE TOWRAD THE KEY LABOR
SECTOR? (ALL LABOR TALKS OF "UNITY", THE UNDERLYING
ISSUE IS WHETHER THERE SHALL BE DIVERSITY UNDER THE LABOR
ROOF, OR A TRULY UNITARY STRUCTURE.)

OPTION ONE.

CONTINUE OUR MODEST PROGRAM OF IVP GRANTS TO DEMOCRATIC
LABOR GROUPS BUT TAKE NO STANCE WITH RESPECT TO THE FUTURE
SHAPE OF SPANISH LABOR ORGANIZATION.

PRO-- WE'RE NOT SURE WHAT WILL BE BEST, AND
SHOULD SIT BACK AND LET GOS WORK IT OUT.

CONN THE CURRENT TREND COULD EVENTUALLY
RESULT IN A COMMUNIST TAKEOVER OF THE LABOR STRUCTURE.

OPTION TWP.

CONTINUES IVP PROGRAM BUT SUPPORT A UNITARY LABOR
STRUCTURE.

PRO. MAKE IT EASER FOR CAPITAL TO DEAL WITH
LABOR DEMANDS, IMPORTANTS TO THE ECONOMY AND A CONCERN OF
AMERICAN INVESTMENT.
A UNITARY LABOR STRUCTION MAY PROVIDE
THE WORKERS WITH GREATER LONG-RUN GAINS.

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CON-- WOULD LIKELY LEAD TO A COMMUNISTS TAKEOVER
OF THE LABOR STRUCTURE.

OPTION THREE.

PROMOTE BY OUR POSTURE AND BY USING A HEAVIER
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PAGE 03 MADRID 01849 05 OF 06 101532Z

INVESTMENT IN LABOR EXCHANGES (SPANISH LABOR LEADERS TO
THE U.S. LABOR LEADERS TO SPAIN, AND INTERNATIONAL
SECRETARIAT ACTIVITY) A PLURALIST FREE LABOR MOVEMENT.

PRO. PLURALIST TENDENCIES EXIST ALREADY
AND A PLURALAIST LABOR MOVEMENT REDUCES PCE PROSPECTS
FOR DOMINATION, BY ENHANCING THE COMPETING SOCIALIST AND
SOCIAL CHRISTIAN GROUPINGS, PLUS RESIDUAL LABOR GROUPINGS
FROM THE FRANCO ERA.

CON--A FRAGMENTED LABOR MOVEMENT MEANS
COMPETITIVE EFFORTS TO GET THE MOST OUT OF MANAGEMENT.
HARMFUL TO THE ECONOMY AND AMERICAN INVESTORS.
THERE IS NO GUARANTEE THAT THE
PLURALIST APPROACH WILL PREVENT, OVER THE LONG RUN, THE
COMMUNISTS FROM SWALLOWING THEIR COMPETITORS.

RECOMMENDATION.

THAT WE FOLLOW OPTION THREE (PRONOTE A PURALIST
FREE LABOR MOVEMENT).

ISSUE D.

CONTUINING BALANCE OF PAYMENTS DEFICITS AND DOUBLE
DIGIT INFLATION THREATEN SPAIN'S ABILITY TO MAINTAIN A
RATE OF ECONOMIC GROWTH WITH STABILITY THAT FACILITATES
POLITICAL A GROWING MARKET FOR U.S. GOODS. SPAIN HAS TURNED
TO THE U.S. FOR ASSISTANCE IN RESOLVING SEPARATE BUT INTER-
RELATED FINANCIAL,INVESTMENT, AND TRADE PROBLEMS, RELATING
THIS REQUEST TO THE TREATY OF FRIENDSHIP AND COOPERATION.

ISSUE D, SUB ISSUE 1.

HOW SHOULD THE U.S. RESPOND TO SPAIN'S REQUEST FOR A
LARGE GOVT TO GOVT BALANCE OF PAYMENTS LOAN TO HELP IT
MEET DEBT SERVING PROBLEMS?

OPTION ONE.

TRY TO PROVIDE SOME SORT OF SUBSTANTIAL GOVT LOAN

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ASSISTANCE
POSIBLILY ENCOURAGE AS SPAIN HOPES
EUROPEAN AND ARAB COUNTRIES TO MAKE LOANS ALSO.

CON-- ENCOURAGE SPAIN TO POSTPONE NEEDED
ADJUSTMENT.
SPAIN HAS SUFFICIENT RESERVES AND
CREDITWORTHINESS TO MEET IMMEDIATE NEEDS AND U.S. RESOURCES
AVAILABLE SFR BALANCE OF PAYMENTS ASSISTANCE ARE VERY
LIMITED.

OPTION TWO.

DISCUSS WITH GOS A STRATEGY FOR MOBILIZING ITS
OWN RESOURCES MAKING NEEDED ADHUSTMENTS, AND ENLISTING
THE HELP OF THE IMF. THE PRIVATE BANKING COMMUNIST, AND
THE IBRD (THE LATTER WITH REGARD TO DEBT MANAGEMENT). BUT
DO NOT OFFER ANY USG FINANCIAL ASSISTANCE, WITH THE
POSSIBLE EXCEPTION OF A TREASURY STABILIZATION LOAN
ASSOCIATED WITH AN IMF DRAWING TO SUPPORT A MEANINGFUL
(EVEN IF UNANNOUNCED) STABILIZATION EFFORT. SHORT OF A
STABILIZATION EFFORT,ENCOURAGE SPAIN TO MAINTAIN RATIONAL
PRICE RELATIONSHIPS THROUGH EXCHANGE RATE FLOAT
REFLECTIVE OF MARKET FORCES AND AVIDANCE OF
PRICE CONTROLS WHILE STILL TAKING POLITICALLY POSSIBLE
STEPS TO CONTAIN INFLATION.

PRO-WOULD BE MORE LIKELY TO INDUCE
RESPONSIBLE POLICIES.
WOULD HELP REESTABLISH BANKING COMMUNITY
CONFIDENCE IN SPAIN, AND THE BASIS FOR SOUND GROWTH.
WOULD BE MORE IN LINE WITH OUR RESOURCES
AVAILABLIITY.

CON COULD LEAD TO THE IMPRESSION
THAT WE DO NOT SUPPORT THE CURRENT GOVT.

RECOMMENDATION

THAT WE FOLLOW OPTION TWO (DISCUSS STRATEGY FOR
SPAIN SEEKING SUPPORT FROM IMF. IBRD, AND PRIVATE BANKS).
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A SOMEWHAT DISSENTING VIEW AGREES WITH THE

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RECOMMENDATIONBUT WITH A CAVEAT THAT WE SHOULD BEWARE OF
CONVENTIONAL ECONOMIC PRESCRIPTIONS IF THEY IGNORE
POLITICAL IMPERATIVES.

ISSUE, D, SUB-ISSUE 2

WHAT POSITION SHOULD WE TAKE WITH THE EXPORT IMPORT
BANK WHICH IS CONCERNED WITH ITS EXPOSURE IN THE LIGHT OF
THE SPANISH DEBT SITUATION;

OPTION ONE.

ADVISE EX-IM TO PROCEED CAUTIOUSLY ON NEW LOANS AND
SEEK GOS GUARANTEES ON LOANS ALREADY OR TO BE COMMITTED.

PRO WOULD HELP EX IM TO REDUCE ITS RISK.

CON WOULD BE IN VIOLATION OF BOTH THE SPIRIT
AND LETTER OF THE TREATY OF FRIENDSHIP AND COOPERATION.
WOULD HURT U.S. EXPORTS, PARTICULARLY IN THE
RAPIDLY EXPANDING NUCLEAR ENERGY FIELD.

OPTION TWO.

ENCOURAGE EX-IM TO CONSIDER INI GUARANTEES TANTAMOUNT
T A GOS GUARANTY AND TO CONTINUE SUPPORTING SPAIN'S
NUCLEAR ENERGY PROGRAM

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PAGE 01 MADRID 01849 06 OF 06 101557Z

46
ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 MMO-01 CU-02 PER-01 OMB-01 SAJ-01

ACDA-05 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-11

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OPIC-03 CIEP-01 LAB-04 SIL-01 EURE-00 OES-03 NASA-01

BIB-01 AF-06 OFA-01 DLOS-04 SAL-01 CEA-01 ERDA-05

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NRC-05 FEAE-00 ITC-01 STR-04 AGR-05 INT-05 SCA-01

ABF-01 OC-05 CCO-00 A-01 /169 W
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P 101146Z MAR 76
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AMEMBASSY BONN
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AMEMBASSY STOCKHOLM
AMEMBASSY OSLO
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C O N F I D E N T I A L SECTION 6 OF 6 MADRID 1849

PRO -- CONSONANT WITH OUR TREATY OBLIGATION AND OUR DOMINANT INTEREST IN A SUCCWSSFUL SPANISH POLITICAL DEVELOPMENT.
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PAGE 02 MADRID 01849 06 OF 06 101557Z

-- MAINTAINS OUR PREDOMINANCE AS SUPPLIER FOR SPAIN'S NUCLEAR ENERGY PROGRAM.

-- ENCOURAGING TO U.S. PRIVATE BANKS AND FACILITIES NEEDED CAPITAL FLOW TO SPAIN.

CON -- MIGHT LEAVE EX-IM OPEN TO CONGRESSIONAL CRITICISM.

RECOMMENDATION.

THAT WE FOLLOW OPTION TWO (STRONGLY ENCOURAGE EX-IM TO CONTINUE AS PRIVIOUSLY INTENDED IN SPAIN).

ISSUE D, SUB-ISSUE 3.

SPAIN IS CONCERNED ABOUT ITS LARGE TRADE DEFICIT, PARTICULARLY ITS BILATERAL DEFICIT WITH THE U.S. WHAT POSITION SHOULD WE TAKE WITH REGARD TO SPAIN'S REQUEST FOR GSP BENEFICIARY STATUS AND SPANISH COMPLAINTS ABOUT U.S. IMPORT RESTRICTIONS?

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OPTION ONE.

INFORM SPAIN THERE IS NOTHING WE CAN DO ABOUT EITHER QUESTION.

PRO -- PREVENTS RAISING WHAT MAY TURN OUT TO BE FALSE HOPES.

CON-- WOULD BE TAKEN AS BAD FAITH IN TERMS OF THE TREATY OF FRIENDSHIP AND COOPERATION AND MIGHT EVEN ENDANGER RATIFICATION OF TREATY BY THE CORTES.

-- HURT U.S. TRADE BY ENCOURAGING SPAIN TO COPE WITH ITS BALANCE OF PAYMENTS PROBLEM BY RESTRICTING IMPORTS.

OPTION TWO.

GRANT SPAIN GSP AND TAKE FIRM POSITION THAT EXECUTIVE BRANCH SHOULD ON THE BASIS OF U.S. POLITICAL AND ECONOMIC INTEREST OPPOSE ANY QUOTAS OR TARIFF INCREASE AND HANDLE INJURY TO U.S. INDUSTRY BY INDUSTRY ADJUSTMENT ASSISTANCE.
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PRO -- HELP MAINTAIN ACCESS TO THIS IMPORTANT MARKET FOR U.S. INDUSTRY AND FARMERS.

-- IN LINE WITH OUR FREE TRADE PHILOSOPHY, AIMS IN THE MTN, AND PLEDGES IN THE OECD.

-- IN THE BEST INTEREST OF THE AMERICAN CONSUMER.

-- WILL BENEFIT SPANISH EFFORTS TO ACHIEVE ECONOMIC GROWTH AND BALANCE OF PAYMENTS EQUILIBRIUM, WITH CONSEQUENT IMPORTANT POLITICAL AS WELL AS ECONOMIC BENEFITS TO US.

CON -- WE MAY BE UNSUCCESSFUL IN DELIVERING ON THE TRADE ISSUE AT ALL.

RECOMMENDATION.

THAT WE FOLLOW OPTION TWO (PROVIDE GSP AND STRONGLY OPPOSE IMPORT RESTRICTIONS).

V. RESOURCE RECOMMENDATIONS.

THESE DEAL WITH RESOURCE IMPLICATIONS (RECOMMENDATIONS ON POLICY ISSUES WERE GIVEN IN THE PRECEDING SECTION). THEY FLOW LARGELY FROM OUR DOMINANT INTEREST IN SPAIN'S FOLLOWING AN INTERNAL AND EXTERNAL DYNAMIC THAT TAKES HER INTO THE WEST. TWO REQUESTS HAVE TO DO WITH OTHER IMPORTANT INTERESTS, THE

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CONTINUANCE OF EQUITABLE TREATMENT OF AMERICAN CITIZENS (INTEREST #4) AND THE NEED FOR A HOSPITABLE ENVIRONMENT FOR U.S. INVESTMENT (INTEREST #2).

A. STAFFING (IN ORDER OF PRIORITY)

1. A NEW CONSULAR OFFICER. STATE 54138 ESTABLISHES A NEW POLITICAL OFFICER POSITION AND WE EXPECT THE OFFICER'S EARLY ARRIVAL. UNFORTUNATELY, IT ALSO ADVISES THAT A CONSULAR POSITION (NO. 186) HAS BEEN ABOLISHED. THE ACTION TO ABOLISH THE CONSULAR POSITION IS OVER THE OBJECTIONS OF THE POST, WHICH STRONGLY BELIEVES THE CONSULAR POSITION IS NEEDED ON A CONTINUING BASIS TO MAINTAIN AN ACCEPTABLE LEVEL OF CONFIDENTIAL

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PAGE 04 MADRID 01849 06 OF 06 101557Z

CONSULAR SERVICES.

2. AN EXCHANGES OFFICER (USIS). THE TOTAL NMA FUNDS FOR EDUCATIONAL AND CULTURAL PROGRAMS UNDER THE NEW TREATY WILL MORE THAN DOUBLE, AND A CONSIDERABLE INCREASE IN ADMINISTRATIVE AND FACILITATIVE SERVICES RENDERED BY USIS CAN BE EXPECTED. WE HAVE A NEED FOR AN ASSISTANT CULTURAL AFFAIRS OFFICER TO HANDLE THE EXCHANGE PROGRAM, SUPPORTED BY AN ADDITIONAL FSL POSITION.

3. A BARCELONA POLITICAL/LABOR OFFICER. AMONG THE OBSTACLES TO POLITICAL DEVELOPMENT IS THE REGIONAL PROBLEM IN THE BASQUE COUNTRY AND, ABOVE ALL, IN THE CATALAN REGION COMPRISING ABOUT 20 PERCENT OF SPAIN'S POPULATION KTHE CATALNA PROBLEM CONSISTENTLY RANKS IN THE TOP THREE CRUCIAL ISSUES IN THE VIEW OF SPANISH OBSERVERS). THE EMBASSY AND CONSULATE GENERAL IN BARCELONA AGREE ON THE NEED FOR SIGNIFICANT INCREASE IN THE REPORTING CAPABILITY AT BARCELONA IN RESPECT OF POLITICAL AND LABOR TRENDS. BARCELONA HAS NOT BEEN STAFFED FOR THAT PURPOSE, AND NOW REQUIRES THE ESTABLISHMENT OF A POLITICAL/LABOR OFFICER POSITION AT LEAST AT THE O-4 LEVEL, PERHAPS SERVING AS THE DEPUTY TO TH PRINCIPAL OFFICER IN SUPER-VISION OF THE CONSULATE GENERAL AND SHARING WITH HIM THE REPORTING FUNCTION.

4. STAFFING FOR THE IMPLEMENTATION OF THE SPANISH/U.S. TREATY. THE SPANISH/U.S. TREATY ESTABLISHES NEW STRUCTURES THAT MAY REQUIRE ADDITIONAL STAFF, MORE LIKELY ON THE MILITARY SIDE, BEYOND THE ACAO REQUESTED ABOVE. SINCE WE ARE JUST BEGINNING TO WORK OUR WAY THROUGH THESE NEW ARRANGEMENTS, WE CANNOT BE SURE BUT WISH TO HIGHLIGHT THE DISTINCT POSSIBILITY OF ADDITIONAL NEED.

5. A SPECIAL PURPOSE CONSULAR POST (ONE FSO-5 OFFICER ASSIGNED TO BARCELONA, RESIDENT IN VALENCIA). WE HAD EARLIER

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REQUESTED THE REOPENING OF A CONSULATE AT VALENCIA BECAUSE OF THE LARGE U.S. INVESTMENT THERE, BUT REALIZE A FULL SERVICE CONSULAR POST IS OUT OF THE QUESTION AND HAVE REDEFINED THE NEED NARROWLY TO ENCOMPASS COMMERICAL PROTECTION, CITIZENSHIP AND WELFARE, AND LABOR, PARTICULARLY AS IT AFFECTS THE AMERICAN INVESTMENT.

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PAGE 05 MADRID 01849 06 OF 06 101557Z

B. TECHNICAL SUPPORT.

1. COMMUNICATIONS. THE DRAMATIC INCREASE IN TELEGRAPHIC COMMUNICATIONS, OUTGOING AND, EVEN MORE SO, IN-COMING, HAS PLACED AN INTOLERABLE BURDEN ON A COMMUNICATIONS STAFF THAT NOW TRIES TO HANDLE MORE THAN DOUBLE THE PREVIOUS LOAD (SOMETIMES RUNNING SEVERAL DAYS BEHIND ON ROUTINE MESSAGES). MADRID IS NOW FULLY ON THE EUR CIRCUIT, POLITICAL REPORTING AND MULTILATERAL AFFAIRS MESSAGES HAVE INCREASED AND THERE IS STILL NO RELIEF IN SIGHT EVEN THOUGH WE PROJECT FUTTHER INCREASES IN TELEGRAPHIC TRAFFIC. WE NEED STATE DEPT ON-LINE COMMUNICATIONS FACILITIES AND EITHER BETTER EQUIPMENT OR MORE MANPOWER AND PERHAPS BOTH. EARLY INSTALLATION OF AN OCR OR SIMILAR AUTOMATIC PROCESSING EQUIPMENT IS REQUESTED. IN THE MEANTIME AT LEAST, AN ADDITIONAL COMMUNICATOR IS REQUIRED.

2. BARCELONA COMMUNICATIONS. IMPROVED MEANS OF HANDLING CLASSIFIED COMMUNICATIONS TRAFFIC WITH BARCELONA IS A HIGH PRIORITY PROJECT. CURRENT FACILITIES ARE SO TIME-CONSUMING AND CUMBERSOME AS TO RENDER THEM INEFFECTIVE EXCEPT FOR EXTREME EMERGENCY.

3. SECURE VOICE TELEPHONE COMMUNICATIONS.

EMBASSY OPERATIONS ARE HAMPERED BY THE LACK OF ANY SECURE VOICE TELEPHONE COMMUNICATIONS. SECURE VOICE TELEPHONE INSTALLATION IS NEEDED AT AN EARLY DATE.

C. IVP AND LABOR GRANTS. AN INCREASE IN THE IVP PROGRAM OF $15,000 PER YEAR TO PROVIDE SIX ADDITIONAL SPANISH VISITORS FROM THE LABOR FIELD PLUS PROVISION MADE WITHIN REGIONAL CU TOTALS FOR TWO AMERICAN SPECIALIST GRANTEES IN THE LABOR FIELD TO VISIT SPAIN EACH YEAR.
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